

Testimony of Stephen Bradberry, Head Organizer
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Chairwoman Waters, Ranking Member Biggert, and Members of the Committee, thank you for the opportunity to testify today about the housing crisis that continues to hinder residents' ability to return to New Orleans 18 months after Hurricane Katrina made landfall.

I am Stephen Bradberry, Head Organizer for the Louisiana state chapter of ACORN (Association of Community Organizations for Reform Now), the nation's largest grassroots community organization of low- and moderate-income families with over 360,000 members organized into 850 neighborhood chapters in more than 110 cities across the United States.

As people are the heart of any community, ACORN members are the heart of ACORN! The Katrina floodwaters forced deep, close-knit communities out of their New Orleans neighborhoods, dispersing ACORN members throughout the country with few possessions and fractured networks of loved ones and friends. Days after Katrina made landfall, I, along with other New Orleans' staff members, reached out to hundreds of New Orleans ACORN members through cell phone text-messages directing them to call their nearest ACORN office for assistance. A message board on the ACORN Website and a toll-free Hurricane Hotline further helped to reconnect members and other families.

Additionally, ACORN members and organizers visited disaster shelters in Houston, Dallas, San Antonio, Little Rock, and Baton Rouge to seek out arriving New Orleans members, listen to their concerns and provide them with emergency assistance – medical care, food, and clothing. ACORN members around the country offered to house displaced ACORN families and others in their homes, and supporters from around the country reached out with donations.

After the recovery phase, the long and ongoing rebuilding process began. With its headquarters in New Orleans and active chapters in nine neighborhoods across the city, ACORN members in New Orleans, and those displaced in cities across the country, affirmed their commitment to preserving and strengthening New Orleans. We believe that the majority of displaced residents will return. Unfortunately, the lack of affordable housing has discouraged many residents from coming home. A year and half after Katrina, 7,500 of the 9,000 ACORN families still have yet to return to New Orleans.

My testimony today will provide an update on the status of affordable housing in ACORN neighborhoods, including the Ninth Ward; highlight ACORN's work to rehabilitate and rebuild housing in these communities; outline problems we have

encountered with local, state, and federal authorities and/or programs; and finally, make policy recommendations to improve the government response in the next major disaster.

Post-Katrina housing landscape: Damage to homes and rental units in ACORN communities

Hurricane Katrina damaged an estimated 79% of affordable housing units in the New Orleans metro area. Consequently, rental housing is scarce and expensive, especially for those residents working in the hospitality industry and other low-paying jobs. Since the storm, the city's average sales price for an undamaged home has increased by 26%, and according to the Fair Market Rents for the New Orleans MSA, the average rent has increased by approximately 45%.

Residents of the Lower Ninth – a low-income neighborhood with one of the highest African American homeownership rates in New Orleans – have faced additional challenges. In the aftermath of Katrina, several recovery plans called for a rebuilding moratorium until the Lower Ninth demonstrated its “viability,” a notion we reject outright.

A recent survey conducted by the Acorn Housing University partnership, which includes Cornell University, Columbia University and the University of Illinois-Urbana-Champaign, confirmed what we already knew – recovery in the lower Ninth lags behind wealthier neighborhoods. In fact, only 7% of the Lower Ninth has been reoccupied despite the fact that nearly half of the city's pre-Katrina population has returned. When these same universities conducted a comprehensive survey of residents, it confirmed again what we already knew – that over 75% expressed a desire to return. The University partners went further and inspected over 1,000 units in the Ninth Ward and found that 60% were feasible to rebuild.

Residents seeking to rent in the City of New Orleans will find few affordable options. Except for New Orleans East, a majority of pre-Katrina renters lived in small rental complexes, generally consisting of one to four units. Although the Road Home program set aside an inadequate \$40 million for owners of small rental properties, no funding has yet to be provided that would benefit renters directly. Furthermore, the major source of equity to rebuild large rental housing, the Low Income Housing Tax Credit program, has thus far not been able to deliver newly renovated units. Many of these projects will never be built unless insurance rates are reined in, tax hikes are avoided and general project operating cost increases are stopped. The increase in insurance rates is by far the cost that puts these projects most at risk and will make it hardest on low-income owners to afford to return to their homes.

ACORN's work to restore and provide affordable housing to New Orleans residents

ACORN and its ally organizations have spearheaded several programs and projects in the affected region, including the following:

- **ACORN's Home Clean-out Demonstration Program.** The Home Clean-out program is a model of what can and should be done on a much larger scale. At a modest cost per home of approximately \$2,500, ACORN is clearing out wet and damaged plaster and furniture, opening houses up so they can dry, then treating the houses to prevent recurrence of mold. To date, ACORN has gutted over 2,000 homes. The federal and state government should support clean-ups like this on a larger scale.
- **Development of adjudicated properties.** In July 2006, ACORN Housing Corporation, a sister nonprofit organization, responded to an invitation by the City of New Orleans to bid on long-term tax adjudicated properties – abandoned parcels and buildings acquired by the City when their previous owners failed to pay their real estate taxes – and was awarded 150 properties to develop. ACORN Housing will reconstruct these properties as affordable housing, which may include rental housing, for low- and moderate-income families. As part of this rebuilding effort, earlier today, we dedicated two storm-resistant homes on Delery Street – the first homes built in the Lower Ninth since Hurricane Katrina. Our partners in developing these houses were the LSU School of Architecture, Countrywide Bank, and Fannie Mae among others
- **New Partnership with FEMA.** Louisiana ACORN recently entered into a partnership with FEMA, where ACORN members offered to house a FEMA trailer on their property for a displaced homeowner while their home is rehabilitated.
- **Road Home Contract.** In order to assist Louisiana homeowners gain access to funds to rebuild their properties that were damaged as a result of Hurricane Katrina, Louisiana ACORN Housing has recently begun working with the trouble-ridden Road Home program. There are over 123,000 homes that were damaged by the hurricane. However, thousands of homeowners who are eligible for state funds have not yet applied for the money that they deserve to rebuild. Our contract provides the means for us to help find these individuals and get them to apply for funds they are eligible for to rebuild their homes.
- **ACORN HUD-funded counseling.** ACORN Housing's counselors continue to advise Katrina-affected homeowners on payment agreements and foreclosures. Since the storm, ACORN Housing counselors have worked with 14 lenders to remove hurricane-affected homeowners from the New Orleans foreclosure lists, which decreased community anxiety about a surge of foreclosures. Counselors have also worked with lenders to design and implement best practices for hurricane-related lending, including post-disaster loan deferments and waivers on pre-payment penalties. ACORN Housing's counselors also provide assistance in determining relief payments offered by the Louisiana Recovery Authority's Road Home Program. Specifically, counselors help homeowners determine the value of their home, provide advice in putting together documentation, calculate basic grant and mitigation funds available and determine possible gap financing. Since

Katrina, ACORN Housing has directly counseled more than 2,000 homeowners affected by the storm.

Problems encountered by ACORN in the rebuilding effort

Overall, the responsiveness of the local, state, and federal government in the rebuilding effort has been inadequate to the challenges we are facing. Specifically:

- **The city use of eminent domain threatens to permanently displace New Orleans residents.** Given the many challenges homeowners face, tens of thousands of properties have not been secured or repaired. The City of New Orleans has tagged 10,000 properties (many of which are duplexes), and owners will lose their property unless they gut, secure and maintain their property within 120 days. Without a moratorium on the use of eminent domain to take these properties, people will be forced to abandon their homes. Research by the Acorn Housing University Partnership shows that the cost to repair and elevate these homes is dramatically lower than the cost of demolition and new construction. We are concerned that many displaced homeowners will not be able to afford newly constructed homes without additional financial assistance.
- **City has largely ignored vulnerable communities.** The city has been slow to restore basic services to low- and-moderate income neighborhoods, such as the Lower Ninth. For example, water in the northern section of the Lower 9th Ward was not certified as potable until 14 months after the storm. Long after families in other parts of the city were able to get a FEMA trailer put on their property, residents of the Lower 9th Ward were prohibited from getting a FEMA trailer or a Certificate of Occupancy if they renovated their home because the City would not certify the water as potable.
- **Lack of transparency and oversight exists in the awarding of city contracts.** Recently, the city awarded \$15 million to a private entity to gut homes. The process failed to involve community input and it remains unclear what the terms of the contract are. Plus, community groups, such as ACORN, have expended significant organizational resources to gut and clean homes without any reimbursement from the city or any government agency for that matter.
- **State Road Home program and ICF as administrator.** Displaced homeowners need start-up funds just to get in their homes and perform basic repairs. Unfortunately, it has taken the state and ICF too long to process the Road Home funds, which are designed to assist homeowners coming back to New Orleans. As a result, there have been very few closings to date - an issue that is exacerbated by low home values, appraisals on the pre- Katrina value of properties, high construction costs, and problems with titles.
- **More federal Community Development Block Grant (CDBG) funds are needed.** Even should funds be disbursed fully, there is not enough money

available through the Road Home Program to cover all eligible homeowners. The \$50,000 cap on gap financing is insufficient for many homeowners to rebuild. Therefore, more federal subsidies are needed to provide adequate gap financing.

ACORN's work around fair housing issues

ACORN's work around the planning process was to ensure that low –and moderate-income families had the right to return. Within weeks of the storm, ACORN launched the Katrina Survivors Association, which took legal action to prevent the city's bulldozing of several historic neighborhoods, including the Lower 9th Ward. The organization also sued FEMA, forcing the federal government to provide needed transitional housing and services to displaced families. Finally, as I indicated previously, ACORN launched the city's most ambitious non-profit house-gutting program that has already helped more than 2,000 homeowners prepare their homes for rehabilitation. Along the way, ACORN Housing Counselors have aided more than 10,000 families in exploring their housing options.

Recommendations

In conclusion, Louisiana ACORN, the state's largest citizen organization, is committed to ensuring that the residents of the 9th Ward, many of whom are ACORN members, have a strong voice in the planning, redevelopment, and governance of their community. Given our experience in the post-Katrina recovery and rebuilding process, our members would make the following recommendations to policymakers:

1. **Place a moratorium on eminent domain.** Emergency intervention is needed to ensure that no demolition occurs without the permission of the homeowner for at least one year after notification. A federal action plan could stabilize these properties allowing people to keep their homes and preserve this important source of affordable housing.
2. **Preserve existing housing stock.** All owners of residential property should be given options for free cleaning and gutting of their properties and this should be government funded.
3. **Restore HUD public housing.** HUD public housing units must be preserved or replaced and subsequently, made available to former residents. Now is not the time to reduce the already limited supply of affordable housing by tearing down public housing that could be restored.
4. **Ensure affordability of replacement housing.** The City should use inclusionary zoning to require 25% of new units be affordable by leveraging the increased revenues of developers. Residents of a neighborhood should have first priority to purchase property in their own community.

5. **Affordable housing must remain affordable.** Grants, low-interest rate loans and target tax credit allocations must be made available to residents.
6. **Rein in the Insurance Companies.** The insurance companies have not been very responsive to homeowners. After the storm, the settlements that the insurance company offered were often insufficient, and it was impossible to get a face-to-face meeting with adjusters. The settlement amounts have been absurdly low. People do not have the skill or resources to fight the insurance companies, so they often take what they are offered with great resignation and great bitterness. Currently, we are seeing homeowner's insurance rates double and triple for those lucky enough to get insurance and builders risk rates have gone through the roof--tripling from pre-Katrina levels. Furthermore, every affordable multifamily housing development project using tax credits in New Orleans is put on hold because the operating costs have soared. The single two components of operating costs that have increased are insurance and utilities.
7. **Education.** People with kids do not want to move back until they know that they can get their kids into schools in the areas where they live. We have been told this by dozens of families in Houston. The inability to get the schools back open throughout the city is a major impediment to getting people to come back.
8. **Provide more CDBG funds.** Ensure there is adequate gap financing for low-income residents who wish to return as well as those residents who intend to rebuild using best practices for energy efficient, green, and hurricane-resistant housing construction.
9. **Provide adequate oversight of state disbursement of Road Home Funds.** These funds have been difficult to access and in fact, the federal and state governments have had to intervene on behalf of homeowners in Louisiana. .
10. **Include community groups in emergency preparedness plans and mitigation** While agencies, such as FEMA, have the responsibility of learning from their mistakes and preparing adequately for the next disaster, the presence of community-based organizations is vital to facilitating communication and services to affected communities. Yet, this lack of coordination contributed to the poor dissemination of timely and accurate information and the delayed delivery of much-needed services and benefits to hurricane victims throughout the area.
11. **Provide loan guarantees.** The Federal government should provide loan guarantees for construction and multi-family loans. Funds are also needed to rebuild the rapid transit system.

Again, thank you for giving me the opportunity to testify. I would be happy to answer any questions.